

DISCUSSION

2024-0522 Master Plan 2024

(McLeod Memo of 11-13-24, Home Sales Statistics by Neighborhood dated 11-12-24, PC Worksession Draft Minutes of 10-15-24, and PC Worksession Minutes of 9-17-24, 7-16-24, 6-18-24, 5-21-24, and 3-19-24, and PC-CC Joint Minutes of 1-29-24 had been placed on file and by reference became a part of the record thereof.)

Present were Joe Tangari and Ian Hogg representing Giffels Webster, the City's Planning Consultant.

Mr. McLeod welcomed everyone to the meeting, noting that the Commission is coming fresh off of last night's Joint Meeting between the Commission and City Council. He noted that there is a lot to take from last night, and tonight's meeting will focus on housing and general development ideas. He stated that the Commissioners hear from the planners all the time, and three different developers were invited to attend tonight's meeting to provide a different perspective. He introduced Jim Polyzois, Mark Gesuale, and Ryan Schultz, representing area builders and developers, and noted that they will provide a general conversation about what they see in the development world, what trends they are seeing, good practices, what they are seeing in other communities, and what they see in the Rochester Hills market.

Chairperson Brnabic noted that she received one public comment card and invited Scot Beaton to speak.

Scot Beaton, 655 Bolinger, expressed concern and disappointment that the public did not want to get more involved in the Master Plan process. He suggested that the survey was good, and that many people are hesitant to touch a button on a computer and prefer a paper survey. He mentioned that he wrote Mayor Barnett a long letter on urban sprawl and sustainability and shared the letter with Ms. Roediger; and he stated that what has been created over the last 40 years is a low density environment that will be very expensive to serve within the next 10 to 15 years. He mentioned that the City has 289 miles of roadway to maintain and the City will have to find a way to pay for it; and he noted that Scenario Three is the only scenario that needs to be signed off on to sustain the lifestyle we have.

Mr. McLeod stated that he appreciated Mr. Beaton's comments. He invited the developers to speak, and provide information on their backgrounds.

Jim Polyzois introduced his partner, Mark Gesuale, and noted that they developed Shadow Pines and Somerset Pines on South Boulevard as their first projects in the city. Once they were approved, they sold them to other developers. He explained that they developed and built out Sanctuary at River's Edge along the Clinton River Trail, consisting of 20 unique custom homes; and Brampton Park and Crestwyk Estates, condominium projects along John R. He added that they are working on Breckenridge Condominiums and

Livernois on the southwest corner. He mentioned that they are primarily focused on smaller units, for people who want to transition from the bigger size home to condominium living, first-floor ranch-styles, and people who want to buy their first house and perhaps cannot do the big mansions north of Rochester but want a new construction home.

Mr. McLeod asked what they feel the price range, asking about Breckenridge as an example.

Mr. Polyzois responded that Breckenridge is unique because it was born out of the inquiries from Brampton Park and Crestwyk Estates. He stated that a lot of the buyers that were transitioning from 5,000 or 6,000 square foot homes wanted something new with a first floor master bedroom; and they wanted 2,500 square feet and not 1,700 or 1,800. He stated that this development is just 12 units to focus on the niche buyer. He commented that overall their projects are ranch units with minimal impacts to neighbors at about 1,900 square feet. He stated that Breckenridge is in the high \$600,000s, and those are attached. He noted that Crestwyk wrapped up last year and those units are under 1,800 square feet and start in the \$490,000s. The detached unit was 1,994 square feet and was in the mid \$550,000s. He mentioned that an assortment of buyers bought those homes, and everyone who purchased spent thousands more in upgrades. He added that what they give as their product standards are premiums for other builders. He noted that people came in and wanted enhanced countertops and finished basements and other extras which drive the price up.

He gave a breakdown of buyers noting it is a 16-unit community with eight detached and eight attached units. He stated that 12 Rochester Hills residents purchased these units, four were from Shelby Township. One couple and a family of four that were in apartments moved into these units. Three buyers were young people that were living with their parents and decided it was time to get their own unit, and two couples were first time buyers, professionals, who were out of college. He added that two elderly couples purchased because their homes had upstairs bedrooms and both wanted a first floor master for medical reasons. He stated that one couple's townhome sold for \$410,000 and the home sold for \$590,000 as they transitioned to these units. He commented that they freed up two units perhaps for a family that wanted an existing home with landscaping all set to go.

He mentioned that three other residents downsized due to divorce, and points of sale for their previous homes were \$730,000, \$860,000 and \$980,000; and they sold those houses and downsized into the mid \$500,000 in their development. He added that they were able to stay in Rochester Hills and continue to retire near their kids. One former Rochester Hills couple moved back, and one resident moved from a two-story condo, which she sold for \$229,000.

In answer to a question, he noted that finished basements took the new unit prices up to \$650,000 to \$660,000.

Ms. Neubauer stated that she believes everyone agrees that people want ranch homes and first floor masters, and those are the kinds of homes for someone

who is a senior and does not want to live in a 5,000 square foot house or starter home anymore. She noted however, that these homes are \$500,000 or \$600,000, and she commented that there is a disconnect between what is wanted and what is possible relative to affordable or attainable housing. She asked how the gap can be bridged toward attainable homes, and commented that material prices were high after Covid and that was a factor that drove up the prices of homes, along with higher interest rates.

Mr. Polyzois responded that he is also a real estate broker, and did a quick analysis of Macomb and Oakland County for new construction available on the market today. He explained that he reviewed everything that was \$400,000 or less, and out of both counties, there were probably 100 \$400,000 homes in the south section which were primarily square boxes with vinyl siding. He stated that he is not looking to build this product with the standards that Rochester Hills imposes for exteriors of brick and stone, and he will not do linoleum and vinyl tile. He stated that he cannot downsize and bring the cost down to sell a product that he does not want to sell, and he does not have the leverage on the trades like a major regional builder would have to drive the cost down. He commented that they focus on one project at a time, and their developments are boutique.

Ms. Neubauer stated that they do not want him to downgrade his materials.

Mr. Schultz noted that what the Commission is trying to do is to tie policy to the direction that the community wants to go to provide extra doors for people that want to move here but cannot right now. He stated that it is a tough bridge to cross, and he pointed out that everyone reaps the reward of housing prices going up in value. He noted that the community is for the most part built out, and while the City wants to provide attainable housing and workforce housing, there simply isn't affordable land, and the other elements keep going up in price.

Ms. Neubauer noted that Scenario Three is very high density. She commented that as an attorney, she looks at things from a different perspective. She mentioned the \$400,000 homes noted before and asked if the bulk of them were in Macomb.

Mr. Polyzois responded that they were in Hazel Park.

Ms. Neubauer stated that these are not comparable communities to Rochester Hills. She commented that the conclusion may be that the land is not available and this is not a community that can provide affordable housing, but can provide the downsized housing.

Mr. Schultz added that there may be opportunity to focus on the reuse of current property, perhaps not in the current mindset but perhaps in five or 10 years. He pointed out that zoning is the piece of the equation.

Mr. Polyzois reiterated that he had three young buyers that previously lived with their parents for several years after school and elected to buy a new house. He mentioned one couple had been living in an apartment for three years in Troy, and they purchased an old house on the south end of Rochester Hills for \$200,000 to be torn down for a new home. He noted another buyer is coming

from Sterling Heights and will be building a million dollar house. He stated that his first home was 900 square feet in Warren and he worked his way up. He added that every detached or attached condo transitions the majority of buyers into these units and frees up their house for sale.

Ms. Neubauer asked which areas of Rochester Hills they are thinking of suggesting to change the zoning or what commercial area could be considered for repurposing.

Mr. Schultz responded that while he does not know the lifecycle of the business, he might say Bordines, even though it could be years. He stated that it could allow a higher density residential development to create the housing segment that would allow a family to come into the community and then migrate into the other products.

Ms. Neubauer asked how to do this with a five-year Master Plan.

Mr. McLeod responded that this was behind the idea of splitting into groups at the last meeting knowing that everyone was looking at their own neighborhoods, perhaps looking at a tired shopping center. He stated that it was to identify areas where the Master Plan needs to take a deeper dive, and the Commission needs to make a transition into a more localized view of the Master Plan. He commented that he would concur that generalizations are scaring people. He stressed that when a community is 80 or 90 percent built out, most of the community will not really change. He stated that it should look at the three-acre piece on a major roadway, or a tired shopping center, or vacant piece between a shopping center and the next house.

Chairperson Brnabic asked the developers what they would need if they were building 1,500 square foot homes.

Mr. Polyzois responded that buyers would not want the 1,500 square foot house because it is not big enough and will not market well. He mentioned Brampton Park, noting that they included a unit at 1,700 square feet with a covered patio and most people wanted three bedrooms in order to have two bedrooms and an office.

Chairperson Brnabic stated that at the same time, they do not want tall buildings. She commented that they are looking at options that they might consider being a little bit higher in density.

Mr. Polyzois stated that density can be offset by making sure it is a ranch unit and not a two story. He noted that perhaps there can be more flexibility with units backing up to a parking lot next to a church. He stressed that with his buildings, there are no swimming pools or accessory buildings to impact neighbors; and there is an extensive landscape buffer imposed on them more than on a typical subdivision. He stated that they build these units with higher standards in mind. He mentioned that he reviewed Apartments.com and noted that new apartments in Rochester Hills are going for \$3,000 to \$4,000 a month; and that could equate to someone that could get a \$600,000 mortgage and buy. He added that the downpayments these days are minimal at three percent.

Mr. Struzik noted that last night's discussion was that everyone wanted single family homes; and he pointed out that Crestwyk included some attached units. He commented that he thinks it looks great. He noted that it was similar housing with an 11 percent price difference; and while it may not be affordable or attainable for some people, the pool of buyers that can buy at \$490,000 is larger than the pool of buyers that can buy at \$550,000.

Mr. Weaver stated that the level of housing that everyone is getting stuck on is available within 10 to 15 miles. He commented that people do not move to Rochester Hills because it is attainable; and this is not the market people want in Rochester Hills. He stated that he thinks they are trying to fill a gap or solve a problem that does not exist.

Mr. Struzik pointed out that they are building duplexes and selling them.

Mr. Weaver stated that this whole conversation started last night because everyone thought they wanted Scenario One with certain aspects of Two and Three, and it sounds like the direction in their minds of where to go is being confirmed with what they are being told tonight.

Ms. Denstaedt asked what the developers are hearing from seniors who are being aged out of their homes and if this price point was good for them.

Mr. Polyzois responded that if he had another 50 units at Crestwyk, they would be gone, and if they had another 20 units at Sanctuary they would be gone too. He stressed that the homes built in the 70s, 80s, and 90s have master bedrooms upstairs; and seniors need a first floor master, but they do not want to leave the area. He added that this demographic has saved their money and will sell their current homes for good money. He pointed out that some of the units at Crestwyk were attached because that property was split with some wetlands and they needed to achieve some sort of density component to justify the development. He noted that when the site is challenging from setbacks to lot dimensions, he will revert to attached units.

Mr. Hooper commented that it speaks to the Tree Ordinance and Wetland Ordinance taking away private property, and something must be done that gives a return on value.

Ms. Neubauer stated that she thinks the Commission is getting to the point where they can all agree that 1,900 to 2,500 square foot three-bedroom, one-story homes are what is desired and needed in Rochester Hills.

Mr. Weaver asked what has to be done with the Master Plan to set it up so that if things change and that is not desired in five or 10 years the Plan can still be relevant and work.

Ms. Neubauer stated that this is why the Commission needs to go section by section as this high level view is not working.

Mr. McLeod asked the developers what they are hearing as the future housing

trends and how they see the market trending.

Mr. Polyzois responded that empty nesters do not want to stay in 5,000 square foot homes, and they want to transition to something smaller and manageable, spend time in Florida, and not take care of a big home.

Mr. Schultz noted that he was on the Planning Commission when the Redwood development was approved, and at the time it was an unheard of product in Rochester Hills. He suggested establishing guardrails to allow that product to exist. He pointed out that while Redwood focuses on a 55 and older client, there is no age requirement. He noted that if allowing a product like that to exist in the community on sites like Bordines or granular sites for infill, it will give the opportunity for the 65- or 70-year-old retiree that wants something different or wants a rental option to remain in the community. He mentioned that he has a project in Royal Oak now where they are purchasing the former GFL recycling facility which had been industrial for years, and is turning the site to residential with re-use of the industrial buildings. He noted that it has pickleball, a swim school, and a daycare. He noted that it starts at \$2,250 per month. He mentioned a development in Holly Township that are 1,200 square feet homes with a craftsman feel, but there are no amenities and they are still expensive.

Chairperson Brnabic said that she didn't think the rates at Redwood were that high when that was constructed.

Mr. McLeod mentioned that Redwood is so successful they are looking toward a phase two.

Mr. Schultz stated that guardrails allowed the developer to look outside the bubble, and it has become wildly successful. He suggested establishing the guardrails and letting the developer determine how to make the economics of it work.

Ms. Neubauer pointed out that the City received a \$75 million grant and will be cleaning land that was previously not available; and mentioned that there are certain places and specific hidden spots inside of the city. She commented that it will be helpful to evaluate areas on a case-by-case basis for the Plan. She stressed that nobody will be getting a four-story building. She said that the map presented previously showing pathway gaps was magical, and made it clear where there could be improvements made, especially around schools to allow for better walkability and safety. She said that having those areas identified on a map will help the commission move forward with the Master Plan. She stated that they have heard from the community as to what they want and are willing to accept who they are as the second community someone comes into. She mentioned the cost of seniors relocating, and commented that most seniors do not want to move with interest rates at seven percent, and non-homestead tax affecting rent prices. She mentioned the idea of allowing a senior who has lived in Rochester Hills for 10 years to move still within the community without their tax rate being uncapped. She mentioned rental prices and noted that her properties are renting at high rates.

Mr. McLeod asked for opinions as to why the market is allowing for such high

rental rates.

Mr. Gesuale mentioned that most of their empty nester buyers do not have mortgages and they are cash buyers.

Mr. Polyzois noted that everyone has their reason to live in Rochester Hills, and often they begin elsewhere such as downtown Detroit and then transition out here after marrying and starting a family.

Mr. McLeod stated that they've heard that younger people don't want mortgages or to be tied to a particular area, and asked if that applies to Rochester Hills or not.

Mr. Schultz mentioned that those very young people do not choose Rochester Hills, they choose Detroit or Royal Oak which cater more to singles. At some point in their lives they may end up in Rochester Hills and they pay high rates to live in those cities. Mr. Schultz mentioned that one thing that hurts them now is the change in insurance right now, when they have a non sprinklered unit the insurance companies leverage them on it. There is a lot of complexity involved for them to make relatively narrow profit margins.

Mr. Weaver noted the discussion about the aging population who have the 5,000-6,000 square foot homes on three or four acre lots, and asked if there was a potential to redevelop them into something a little more dense, whether it be duplexes or single family homes.

Mr. Polyzois responded that he does not know what the future holds for those large homes, and mentioned that their focus is south of downtown Rochester, where they are buying older homes that have been neglected for years and are slated for teardown, and redeveloping and repurposing the land. He commented that they have not focused on the north end due to the zoning.

Mr. Weaver stated that because the area is 90 to 95 percent built-out, as the Master Plan is being reworked it may be something to consider whether a property that is currently R-1 should potentially be R-2 so the density could be 15 homes on 10 acres. He commented that this could be a trend in housing that they will see moving forward for the next 15 years as population starts aging and people are getting too old to take care of large properties and are willing to move on.

Mr. Schultz mentioned the FB district on the commercial side that gives flexibility; and suggested a section in the Ordinance to allow trigger points to put together parcels and increase density, such as clustering options. If it could be determined that properties present a functional obsolescence, then the ordinance could perhaps allow for a more intensive redevelopment and therefore allow for more affordability.

Mr. Weaver stated that housing will need to bring in tax dollars over an extended period of time in order to maintain the standard of lifestyle that Rochester Hills has to offer. He added that if the tax base needs to be raised to maintain this lifestyle people may not want to pay those taxes. He commented that in 15

years, if the Master Plan does not make appropriations to maintain the tax base or income that the City has to maintain its parks or offer new parks and be innovative, it may not have the lifestyle it has now and it may not be as desirable. He stressed that they have to be open to some things that may not feel comfortable now, but may be desirable in the future so what the City does have can be maintained.

Mr. Hooper stated that he reads Scenario Two as flexibility.

Mr. McLeod stated that the first thing that will happen with the Plan is removing the scenarios. He added that in terms of commercial redevelopment, obviously Rochester Road has some large parking lots. He commented that ideally there would be a shopping center up front and residential in back.

Mr. Schultz pointed out that this community really does not have that language established anywhere to have a mix of housing and commercial and this would be a wholesale change that may not be in anyone's appetite.

Ms. Neubauer stated that she thinks that they need to be flexible but not overly flexible. She stressed that they need to be realistic and look at a map. She commented that they do not hate developers and are not anti-development, but want to ensure that they are not just a community of apartment buildings and quadplexes. She added that the Commission does not want to be tricked and wants to give flexibility but not have anyone abuse that flexibility. She stated that they don't want big high-rise apartments or super-dense areas.

Mr. Schultz stated that ultimately he wants the same things and wants a fair shake in front of commissions. He stressed that they want a good project in the community that feels like it fits into the network of the community appropriately. He commented that a good portion of his career was spent redeveloping those seas of parking lots, and the focus and flexibility needs to be there to explore those options. He stated that the more the Commission can interact with the development side and tailor that conversation to get the products they want, the outcome will be successful for the developer and the City will get the product it wants.

Mr. McLeod suggested a "homework assignment" for the Commission to get to a point where each member in their neighborhood can identify areas that they feel need attention for whatever purpose. He asked for the Commissioners to email him with the locations of these areas/properties so that they can be brought up in discussion.

Mr. Schultz stated that a lot of master plans are a wish, and this is a community that does not need a wish. He stated that it is more of a guideline; and in a perfect world, these things would happen.

Ms. Neubauer stated that it is important to know who we are, what we are, and what we're trying to accomplish. She agreed that they have to get to the granular level. She noted that there is the land that is being cleaned up that will be available and that will be open to many things.

Chairperson Brnabic asked if by next month for the work session there might be the possibility of combining different areas in conversation.

Mr. McLeod stated that the Commission needs to talk about elements of what it really wants in the community and what it wants to see. He suggested that they will get away from labels because they can have a negative connotation. He noted that next month they are slated to talk about transportation and community health.

Chairperson Brnabic asked if there will be more detailed conversation on pathways.

Mr. McLeod responded that it will be a part of the conversation.